GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6033
ANSWERED ON:31.08.2001
CRR OF BANKS
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India have issued guidelines that banks need not maintain the minimum Cash Reserve Ration upto 3 per cent on inter-bank liabilities;

(b) the date on which these guidelines were issued;

(c) (he impact of these guidelines on the liquidity position of banks;

(d) whether the RB! further propose to lower the CRR to stimulate the economy; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

(a) and (b) Yes, Sir. Reserve Bank has clarified that all scheduled commercial banks (excluding Regional Rural Banks) have been exempted from the prescription of minimum statutory Cash Reserve Ratio (CRR) requirement of 3.0 per cent on inter-bank term deposits /term borrowing liabilities of original maturity of 15 days and above and upto one year from the fortnight beginning August 11, 2001.

(c) to (e) Reserve Bank of India has reported that the exemption of minimum statutory CRR requirement of 3.0 per cent on inter-bank ierm deposits/term borrowing liabilities of original maturity of 15 days and above and upto one year is expected to help in developing the interbank term money market, besides being a marginal saving on cost to banks. In the Monetary and Credit Policy of RBI announced on April 19, 2001, it is stated that Reserve Bank proposes to continue to ensure that all legitimate requirements for credit are met consistent with price stability. Towards this objective, the Reserve Bank will continue its policy of active demand management of liquidity through Open Market Operationincluding two-way sale/purchase of Treasury Bills, and further reduction in CRR as and when required. Accordingly, the CRR was reduced by 0.5 percentage point to 7.5 per cent from 8.0 per cent effective fortnight beginning May 19, 2001. The reduction in CRR augmented lendable resources of banks by about Rs. 4,500 crore.